

Who We Are / What We Do

Geo. A. Hormel & Company is a federally-inspected food processor which slaughters livestock for processing into meat and meat products which are sold at the whole-sale trade level.

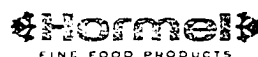
The principal products of the Company are meat and meat products — boneless hams, sausage items, sliced bacon and luncheon meats — which are sold fresh, frozen, cured, smoked, cooked or canned.

Hormel operates 18 plants for slaughtering and/or processing and has 12 distribution plants located along the West Coast, South Atlantic Coast, Gulf Coast and Hawaii.

Hormel also operates in international areas, including Australia, the Philippines and Okinawa, primarily through Hormel International, a wholly-owned subsidiary of a domestic corporation of which Hormel has a controlling interest.

The Company's products are sold in all 50 states by salesmen operating in assigned territories coordinated from district sales offices located in most of the larger United States cities, and by brokers who handle carload lot sales.

Hormel employs over 8,600 people and has approximately 4,500 stockholders.



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The past year was a good one for Geo. A. Hormel & Company employees and shareholders. Sales exceeded \$1 billion, significant not because it is a much sought-after goal of major industrial corporations, but because it symbolizes the commitment and the collective achievements of our 8,600 men and women.

The Company's achievements in 1976 are a reflection of the cumulative results of 85 years of effort. The same spirit of innovation and vigorous competition that has spurred our growth for so many years continued during the past 12 months.

For example, net income was the third highest in history, exceeded only in 1971 and 1974, respectively. The Company's financial strength increased with stockholders' investment reaching a new high.

Cash dividends on common stock were increased last February. The eighth consecutive increase, this decision was based upon a recognition of favorable prospects and evidence of corporate financial stability.

The Company's branded products were strengthened through innovative advertising and promotion programs. While leadership brands were receiving aggressive support, the Company was also investing heavily in new product introductions.

Capital expenditures for the year were the highest ever as Hormel continued to reinvest a major portion of its net income into areas of the business that offer promise for future growth and profitability.

During the course of the year, our new plant in Ottumwa,

Iowa, was completed and placed in operation. We are highly-encouraged by the results to date.

The new dry sausage plant at Knoxville, Iowa, is in the final stages of completion. A spring start-up is planned.

In 1976, as in years previous, Hormel has recognized other important dimensions in its role as an employer. High priority has been placed in efforts to effectively demonstrate the Company's concern

gram, supplementary to the Company's regular contributions program to higher education, is offered.

Considerable engineering efforts are likewise expended to improve in-plant environment and general working conditions. Noise reduction and hearing conservation programs resulted in the growing use of protective devices as each year substantial sums are spent to insure the safety and security of people in the organization.

In the critical area of environmental control, Hormel has devoted substantial talent and resources to the proper disposal of water and waste products and to the control of smoke and fume emissions.

Our corporate growth, of which we are proud, continues to be regarded as a means of reaching our stated goals. Our principal goal is to prepare and market high-quality products which provide consumers with the best in value.

Today, our products reach consumers in over 100 nations. We have earned their confidence and respect with products that have a deserved reputation for quality. In addition, we have established a record of product innovation which has enabled Hormel to meet the changing needs and demands of consumers and of institutional and industrial customers.



I. J. HOLTON
President

THE PRESIDENT'S LETTER

in the areas of educational assistance, improved working conditions, environmental control and cooperative community relations.

We continue to believe strongly in the value of education for our people, their children and others who are seeking to improve their talents and capabilities. To encourage the financial support of accredited colleges and universities by our employees, a "matching gifts" pro-

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Whether it's breakfast, lunch or dinner, a snack, picnic, backyard cookout or a formal party, these Hormel products are designed to meet the homemaker's needs for wholesomeness, freshness and flavor, convenience and variety.

For Geo. A. Hormel & Company, the year 1976 was one of many positive achievements.

Sales, after returns and allowances, reached a record \$1,094,832,000, an increase of 10 per cent. Although a portion of this sales increase can be attributed to the economy's continuing inflation, sales volume improved in many of the Company's product lines.

It took 85 years for Hormel to reach the billion-dollar level in annual sales.

Net Earnings Third Highest in Company History

Although recovery from the bottom of the hog cycle was somewhat slower than had been anticipated, a marked improvement in the fourth quarter raised margins sufficiently to make net earnings the third highest in history.

Earnings for the year were \$14,717,000, third only to 1971 and 1974 when the Company reported net income of \$16,664,000 and \$17,369,000, respectively.

Fiscal 1976 earnings showed an increase of \$1,351,000 over 1975, an improvement of 10.1 per cent.

Earnings were equal to \$3.06 per share, compared to \$2.78 per share in 1975.

Straight Talk About Company Profits

Profit is a word generally understood by stockholders because it is important that their equity in the Company increase and that regular divi-

dends be paid. Profit is equally as important to the Company's employees, customers, livestock producers and suppliers. Without it Hormel would no longer have the necessary processing capabilities for livestock producers; nor would suppliers have a source to which to sell their goods or services, nor would jobs be available for employees or products for customers.

In order to perform the above functions, Hormel must have

A Review of Operations

money invested in inventory, accounts receivable, land, buildings, machinery and equipment.

In dollar amounts, the dimension of the Company's profits might seem large. An understanding of the large amounts of money required in the conduct of the Company's business, however, does much to place these profits in proper perspective.

In the last seven years, Hormel has spent \$108,000,000

for land, buildings and equipment. During this period, accounts receivable have increased \$18,000,000 and inventories by \$29,000,000.

Where did this money come from? The answer is: from profits and from \$28,000,000 of borrowed funds.

How will Hormel pay back the money it has borrowed? Out of profits.

As an individual, it is easy to identify with the sizable price increases faced when purchasing a new automobile, a home or household furnishings. Hormel conducts business in this same atmosphere of rising prices. A machine that cost \$100,000 in 1969 was replaced in 1976 at an expenditure of \$195,000.

Unfortunately, prices for our products must be raised to cover the increased costs of labor, supplies, taxes and equipment. Hormel faces competition in all the items it buys and competition in all the products it sells. Competition limits the Company's profits to approximately 1½ cents per dollar of sales.

Although small, it is these profits that provide for the future of Hormel.

Capital Expenditure Reaches Record Level in 1976

Additions to property, plant and equipment amounted to \$22,831,000, the highest one-year total in the Company's history. Completion of the Ot-

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Top quality bacon sides (bottom photo) receive controlled amounts of heat, smoke and humidity. At top this young homemaker shows her preference at the checkout counter — a package of Hormel Black Label Bacon.



tumwa, Iowa, and Houston, Texas, plants and start-up of construction for the Knoxville, Iowa, plant accounted for the bulk of the expenditures.

Depreciation for the fiscal year 1976 was \$10,697,000, an increase of \$1,557,000 over last year.

Cash Dividends Increased for 8th Consecutive Year

Cash dividends paid on common stock outstanding were increased in February, 1976, from 92 cents per share to \$1.00 per share. Dividends declared during the fiscal year amounted to \$4,803,258.

Geo. A. Hormel & Company has increased its dividends for eight consecutive years and has paid dividends for 48 consecutive years.

Over \$10 Million Added to Employee Pension Trusts

The Company's provision for current and past services under the Employee Pension Trusts amounted to \$10,254,000 for the year.

Past service costs are amortized over a period of 30 years from the date of inception or date of amendment of the plans.

Stockholders' Investment Is Increased to \$136,792,000

As of October 30, 1976, the stockholders' investment amounted to \$136,792,000. This was an increase of \$9,913,000 over the prior year. On this basis, the book value of common stock outstanding was \$28.48.

Hormel Employment At 8,619; New Contract Agreement

At the end of 1976 there were 8,619 men and women working together in Hormel plants and offices. Their talents and skills are responsible for the worldwide reputation for excellence in Hormel products.

The Company's employees earned \$148,610,000 in wages and salaries in 1976. Employee benefits cost an additional \$30,978,000.



**I. J. Holton
President
Robert F. Potach
Vice President & Controller
Robert M. Gill
Vice President
Personnel & Industrial Relations**

Many of the contracts covering the Company's union-represented employees expired in 1976. Settlements for wage, health benefits and pension improvements were provided in line with industry patterns. Hormel has long provided complete health care benefits for its retired employees. The effectiveness of this program was enhanced with additional benefit improvements for present and future retired employees.

The Company continues to maintain good relationships with the various unions representing its employees.

Equal opportunity for all employees regardless of race, sex, religion or national origin continues to be the policy practiced at Hormel.

Industrial Revenue Bonds Obtained By Company

In 1976, Hormel obtained \$2 million through industrial revenue bond issues in connection with the construction of the Ottumwa and Knoxville, Iowa, plants.

Federal law places limits on the utilization of this favorably-priced debt vehicle.

Hog and Cattle Outlook for Fiscal 1977

Livestock projections for the first three-quarters of 1977 indicate that the supply factor should have a favorable influence on Company operating results. Hog supplies are expected to be significantly higher than 1976. Beef supplies, however, are expected to be down somewhat from 1976 with almost all of the decrease in cows rather than fed cattle.

The increase in hog numbers, coupled with an excellent feed grain harvest and the continuing cooperation of employees, should provide the Company with exceptionally fine earning opportunities in the year ahead.

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(Left to right) Charles D. Nyberg, Secretary & Director of Public Relations, E. C. Alsaker, Vice President & Treasurer, Don J. Hodapp, Assistant Controller, Robert J. Thatcher, Assistant Treasurer, Richard W. Schlange, Assistant Controller, and Walter B. Stevens, Assistant Treasurer. Other photos are of the R & D Division's General Chemistry Laboratory and Dry Sausage smokehouse operations.



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Within the past 10 years, Hormel has spent more than \$130 million to enlarge production capacity and further technological capabilities. The effect of this extensive capital improvement program has been to broaden the Company's product lines, improve customer service and operating efficiencies and provide new sources of strength and growth opportunities.

Included in this long-term program of capital investments are new distribution plants in San Antonio, Texas, New Orleans, La., Orlando, Fla., Atlanta, Ga., Dallas, Texas, Albany, Ga., Seattle, Wash., Shreveport, La., and Houston, Texas.

A new hog slaughtering and processing plant was constructed in Ottumwa, Iowa. Beloit, Wis., was the site of a new Company canning and warehousing plant, Oklahoma City, Okla., became the home of a new Hormel frozen foods plant and a Research & Development Building was built in Austin, Minn.

A dry sausage manufacturing facility in Algona, Iowa, will soon be joined by a newly-constructed dry sausage plant in Knoxville, Iowa. (Photographs of several new plant facilities appear on the front and back covers of this 1976 Annual Report. Identification follows on page 10).

Major capital investment projects completed or started in fiscal 1976 included the following:

Ottumwa, Iowa, is Fifth Hormel Hog Slaughtering Plant

After three years of planning and construction, hog slaughtering and processing operations at the 345,000 square foot Ottumwa, Iowa, plant were started in early fall of

1976. Constructed on a 40-acre site, this new facility consists of 252,000 square feet of plant area, plus basement, mezzanines and loft, 27,700 square feet of office and welfare space and 40,000 square feet of livestock area.

Situated in one of the best livestock-producing areas of the country, the Ottumwa plant was built to handle the slaughtering and processing of 800,000 hogs annually. Facilities were also included for the processing and pack-

FOUNDATION FOR GROWTH

aging of Cure/81 Hams, bone-in hams, smoked pork loins and other smoked meat products. Midget Link and Little Sizzlers pork sausage products are produced and Hormel bacon, including Range Brand, Black Label and Old Smokehouse brands, are sliced and vacuum-packaged in consumer-sized cartons.

The Hormel Company now has hog slaughtering and processing operations in five Midwest locations — Austin,

Minn., Fort Dodge, Iowa, Fremont, Neb., Mitchell, S.D., and Ottumwa, Iowa.

Dry Sausage Plant To Open in Knoxville, Iowa

Construction is nearing completion on a dry sausage manufacturing plant in Knoxville, Iowa. The one-story, 110,000 square foot plant, scheduled to open in early spring of 1977, has facilities for manufacturing, processing and packaging operations as well as warehouse and office space.

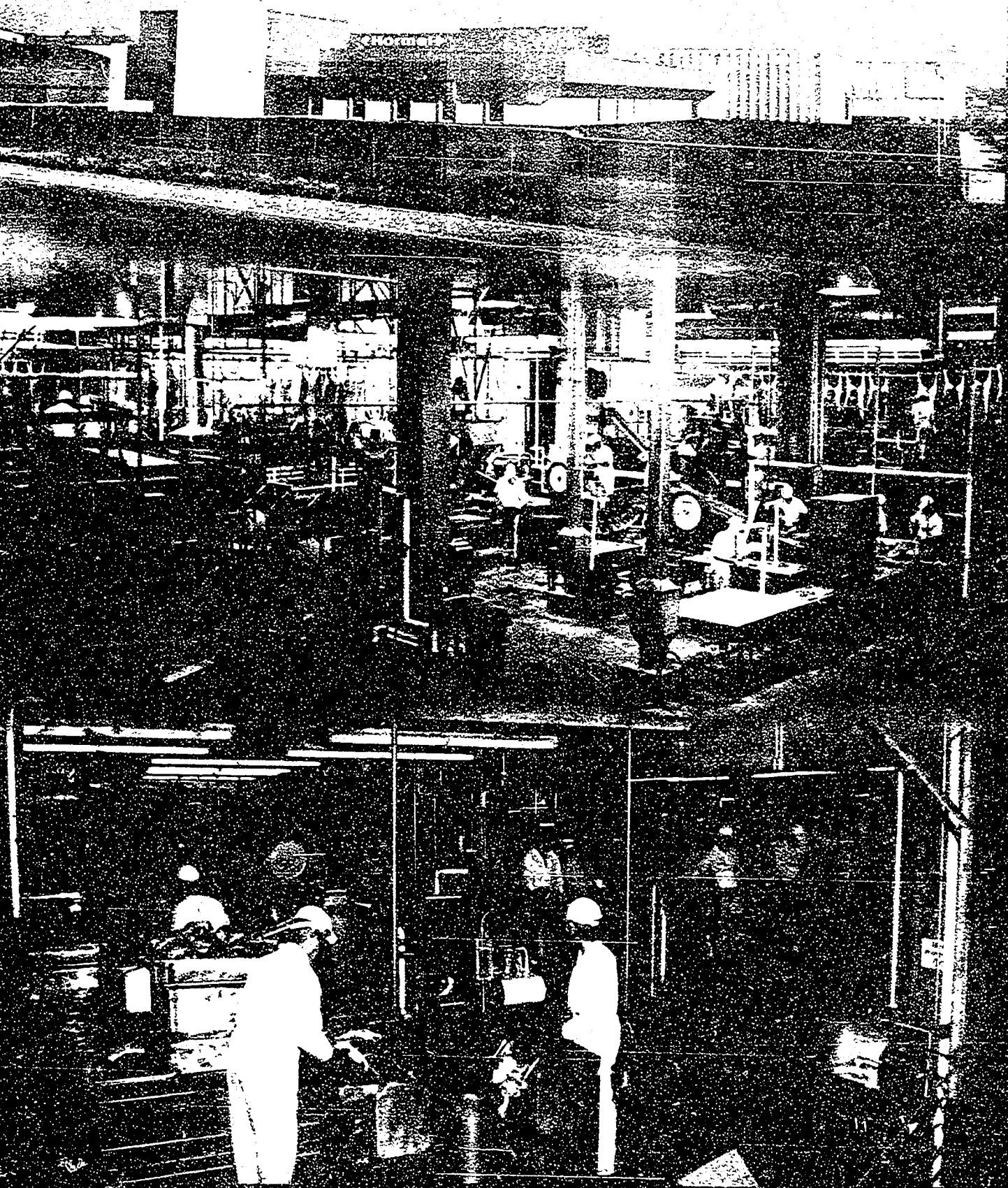
Located on 23 acres of land in the Knoxville Industrial Development Park, the new plant was designed with the very latest in sanitary, engineering and processing techniques. Meat selection, blending, chopping, spicing, curing and aging and packaging operations will be conducted with the finest and most modern equipment available today.

The facility, ideally situated to receive supplies and raw materials from Company slaughtering plants, is also in a favorable geographic position for transporting finished product by truck or rail.

Freezer Addition To Shreveport, La., Distribution Plant

In late 1976, construction was started on a 1,400 square foot freezer addition to the Company's Shreveport, La., distribution plant. The present 11,000 square foot facility was built five years ago.

Page 9
Overall exterior and interior views of the newly completed Ottumwa, Iowa, hog slaughtering and processing plant. Center and bottom photographs are of the Hog Kill and Hog Cut Departments, respectively.



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The new addition will provide freezer capacity for 288,000 pounds of product and will further enhance the Company's distribution capabilities in this southern area.

**Plans Developing
For Proposed
Bulk Gelatin Plant**

Plans are progressing towards the proposed construction of a new bulk gelatin plant. Although a plant site has yet to be selected and a construction date determined, preliminary drawings and blueprints are being readied by the Company's Corporate Engineering Division.

The proposed 82,000 square foot building would have a

production capacity of 5,000,000 pounds annually. Industrial accounts include candy and confectionery companies, ice cream manufacturers, pharmaceutical houses, meat packers and photographic, baking and cosmetics firms.

**Expansion Program
For 1977 Includes
Overseas Investment**

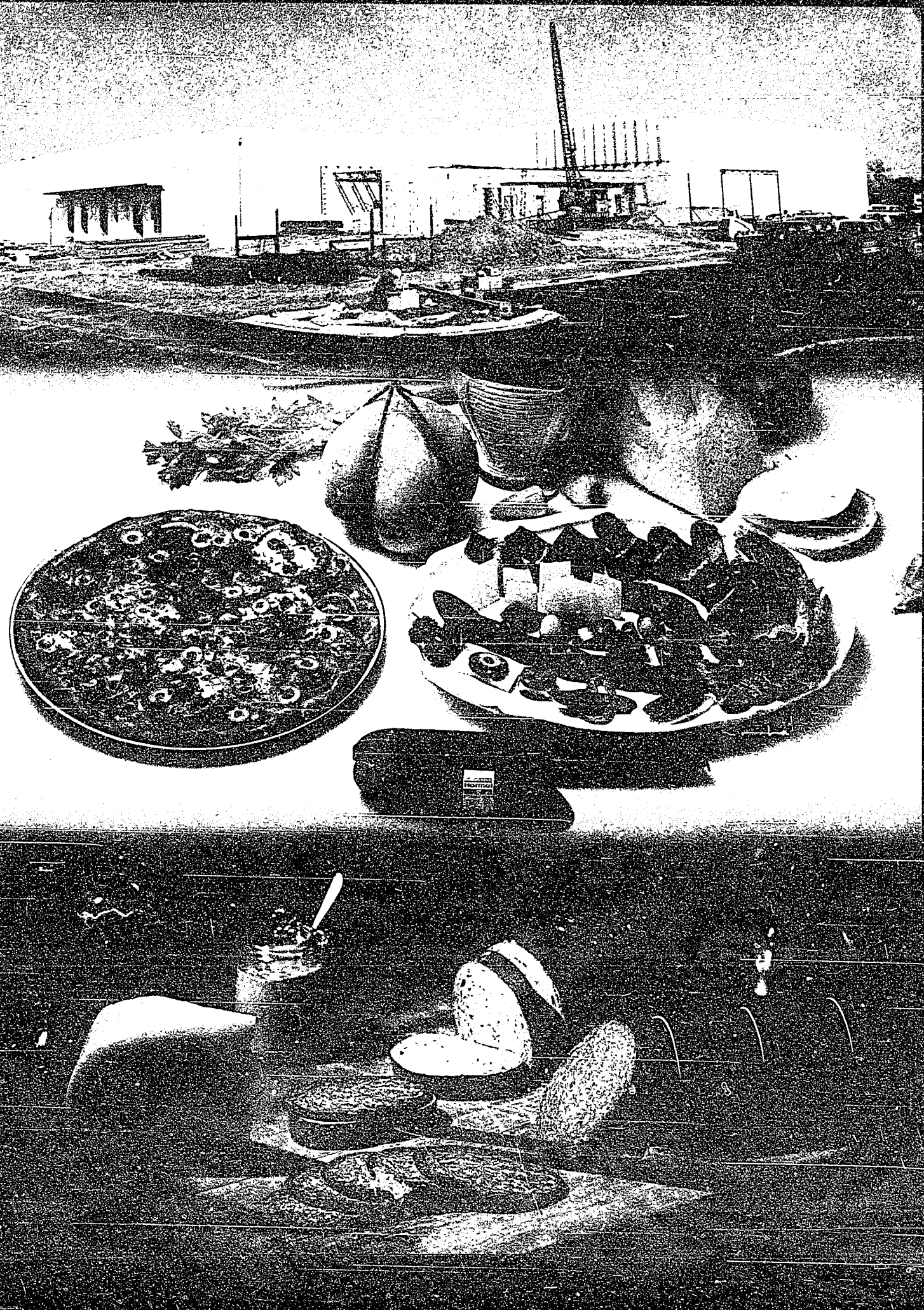
Additional capital investments are also planned by

Hormel International, the international subsidiary of Geo. A. Hormel & Company, in an effort to achieve wider distribution in foreign markets.

In Okinawa, a 13,000 square foot addition to The First Enterprise Corporation plant will allow Hormel products to be exported to Tokyo and other major cities of mainland Japan. This expansion, along with improvements in the existing 17,300 square foot building, will provide added capacity for the production of wieners, canned luncheon meats, sliced bacon, sausages, hams and canned meats.

The plant addition and renovation program will be completed in mid-1977.





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Expanded pork slaughtering and processing capabilities, enabling facilities to be more efficiently utilized, and the new Ottumwa, Iowa, plant will enhance the volume and earnings objectives of the Operations Group in 1977. Recent growth performances by the Pollution Control Systems and Environmental Pollution Control divisions have provided the basis for improved contributions to the Company's earnings picture.

Facility Improvements, New Ottumwa Plant to Provide Solid Foundation

Within recent years, efforts to improve productivity and increase profitability have highlighted capital spending programs at the Company's larger slaughtering and processing plants. In Austin, Minn., hog slaughtering and cutting operations were renovated. In Fremont, Neb., recent capital additions resulted in expanded cooler and freezer space, increased hog slaughtering capacity and improved hog processing. In Fort Dodge, Iowa, the pork dressing department was modernized and a 4,000 square foot addition constructed. These sizable capital investments have helped to increase output, enhance quality and reduce operating costs.

The Ottumwa, Iowa, plant, beginning production last fall with only minimal start-up problems, will have the greatest impact on the planned growth and improved earnings of the Operations Group in 1977. With an additional slaughter capacity of 800,000 hogs yearly, the Ottumwa plant will provide substantially greater capacity for the production of fresh pork cuts and processed, branded products.

The enlarged production ca-

pabilities are needed to keep pace with the Company's marketing potential and are expected to create a favorable influence on operating results.

Super Select Pork Is Merchandised To Meat Buyers

Still another important phase of the Company's pork operations has been the development of Super Select Pork. This innovative merchandising program offers meat buy-

OPERATIONS GROUP

ers, or retailers, fresh pork cuts that provide maximum value in quality, freshness, flavor, variety and convenience.

Produced under carefully-controlled conditions, Super Select Pork cuts are specially-selected from meat-type carcasses. Soon shipped in easy-to-handle, crush-proof cartons, retailers are able to merchandise the cuts — quality loins, spareribs or Boston Butts — that sell best in their meat counters.

This new concept in pork merchandising has many advantages. The retailer is provided with the finest pork available. Much of the customary trimming necessary for him to produce the desired cuts is eliminated. The housewife has available deluxe pork products, lean cuts of meat offering greater protein and a delightful flavor and texture, to challenge her menu-making talents.

New Margarine Product Introduced Under Mary Kitchen Name

Company efforts to further its long-standing new products program was evident in late 1976 with the introduction of Mary Kitchen Margarine. Although still in limited distribution, consumer interest is expected to move this new product into additional test markets in early 1977.

Mary Kitchen Margarine is described as having "sunshine fresh flavor." It is a premium-grade, pure vegetable oil product packed in a colorful one-pound package.

Newspaper advertisements will be used to reach consumers and the specialized markets in which Mary Kitchen Margarine is to be marketed.

Hormel Shortening Also Introduced To Retail Trade

Hormel Shortening, also a part of the Company's edible oil operations, will soon be appearing with Mary Kitchen Margarine in the food stores of U.S. retailers.

Page 13
Hormel Super Select Pork, as it appears in retail meat counters, is shown at top. Mary Kitchen Margarine (lower left) and Hormel Shortening (lower right), under the Light-Touch brand name, are new product additions.

SALE



Hormel's
Selected Pork Loins

SALE



A specialty product previously sold exclusively to the bakery and confectionery industries, pizzerias, restaurants and other institutional markets, Hormel Shortening is now marketed to the retail supermarket trade in consumer-size containers. The plastic three-pound container has a reusable "twist-on, twist-off" lid, an industry first. A colorful, eye-appealing label, depicting bakery and pastry items, was designed to help illustrate the variety of frying, baking and cooking purposes provided by Hormel Shortening.

This newest consumer-packaged product will be marketed under the Light-Touch brand name.

PCS, EPCO Provide Odor Control, Water Treatment Systems

Water pollution, solid wastes generated by processing, and air pollution are common concerns in the food industry. Recognizing this problem, Hormel continues to design, maintain and operate facilities that are assets to communities in which they are located.

In 1972, the environmental protection programs of municipalities and industry received greater attention with the Company's acquisition of two Midwest pollution control companies. Today, Environmental Pollution Control (EPCO), and Pollution Control Systems (PCS), are providing the Operations Group with new sources of growth. With a large and versatile staff of engineers and draftsmen, both EPCO and PCS are able to recommend, design and implement improvements in the air and water quality programs of others.

The Rotating Biological Surface (RBS) system is a secondary waste water treatment process designed to help city government and industrial customers augment or improve their existing sewage care facilities.

Although popular in Europe, this method of waste water treatment, requiring low energy needs, reduced operator attention and maintenance costs, is relatively new to the U.S.



Donald S. Sorenson
Vice President / Beef Operations
Clayton T. Kingston
Vice President / Pork Operations
Richard L. Knowlton
Group Vice President
Operations Group

Waste water treatment facilities in America's dairy heartland were sites of RBS pilot test studies in 1975. The growing dairy and creamery industry, along with petroleum companies and small and medium-sized cities, have since provided the Company with opportunities to market this advanced sewage treatment system.

In the area of odor abatement, gaseous emission control and particulate removal, Pollution

Control Systems offers a variety of services. Engineering studies are conducted, field pilot tests performed and odor emission surveys developed. Pollution control measures, if any, are then recommended.

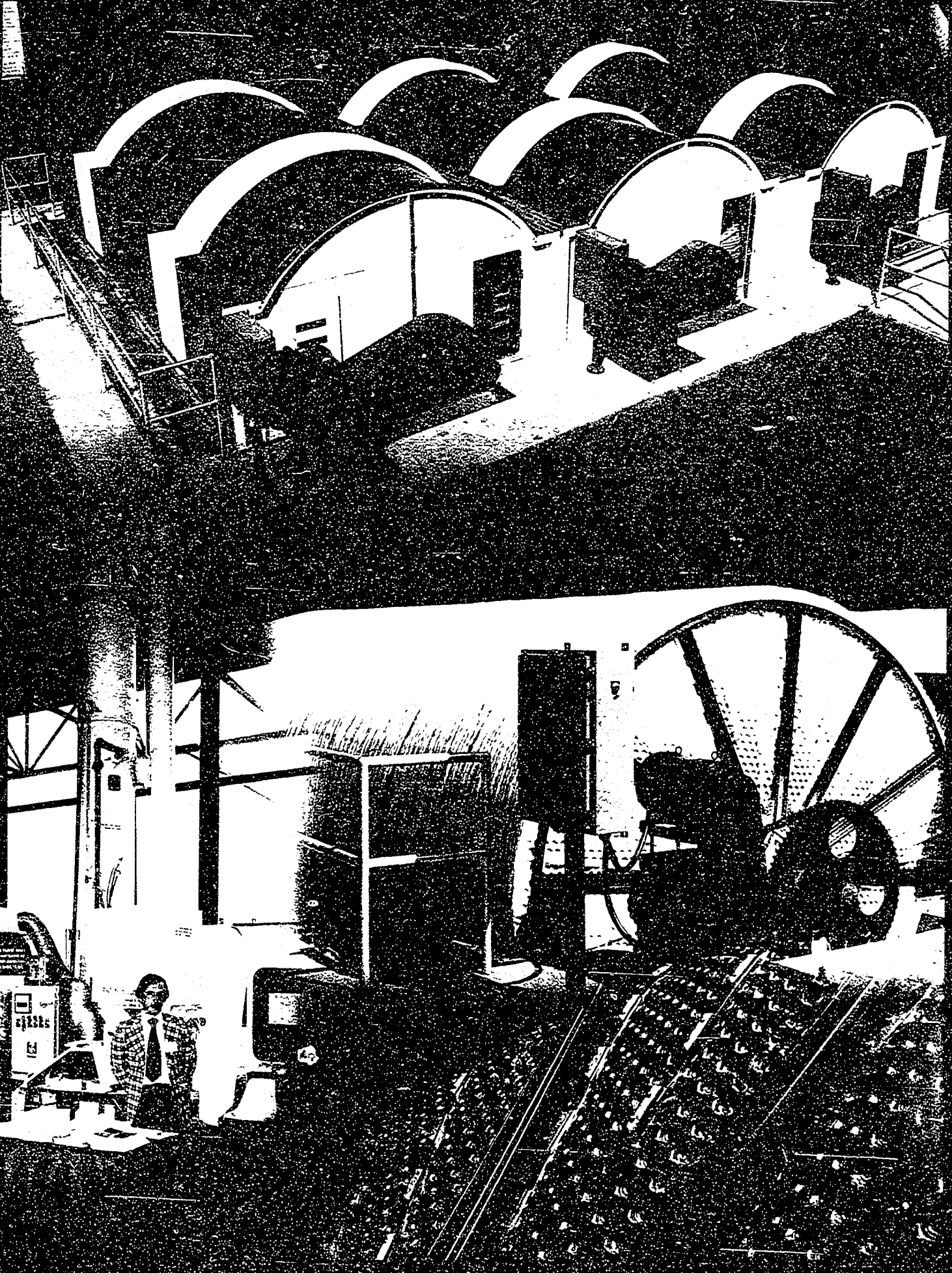
PCS has designed installations for controlling odors in an explosive waste disposal plant, an aggregate washing and drying plant, a leather scrap drying company and in foundries. PCS will continue to apply its technological and engineering capabilities to critical air pollution problems faced by customers.

Environmental Services Companies to Share Same Minn. Facility

In response to a need for greater production capacity, EPCO will soon share facilities with PCS in Coon Rapids, Minn. This plant, providing EPCO with considerably greater manufacturing facilities and increased storage areas, will also enable Hormel to conduct all its environmental services activities in one central location.

The new arrangement will provide an effective means of managing the engineering, marketing and purchasing and other internal functions of both the water and air pollution abatement companies. It is anticipated that improved facilities and joint utilization of services will aid in the emergence of both EPCO and PCS as major factors in the environmental improvements field.

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Installations of this type are designed to improve the air and water quality programs of municipalities and industrial customers. Hormel applies its technological and engineering capabilities to critical air and water pollution problems.



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In November, 1891, George A. Hormel founded the company that bears his name. The original products consisted of hams, bacon, sausage and fresh meat items. These products continue to be a vital and growing part of Company operations.

Cure/81 Stressed as Symbol of Dependability; Production, Sales "Up"

"...Dependability worth paying for!" is the basic theme of the current Cure/81 Ham advertising and promotional campaign. This marketing approach, designed to further consumer knowledge of the quality and value built into Cure/81's, has been instrumental in maintaining a high level of sales.

Nationwide promotion of Cure/81's was intensive during 1976. In addition to extensive advertising in print and broadcast media, special tie-in and related product promotions were initiated. These factors, accompanied by aggressive selling, merchandising and distribution activities, enabled Cure/81 to increase its market share in nearly all sales territories.

Little Sizzlers Enjoys New Sales, Distribution Levels

Marketing and distribution strength have been primary factors in the rapid sales growth of Little Sizzlers during fiscal 1976. Considerable time and attention was directed to maximizing sales of this popular breakfast sausage through year-round promotional programs.

Little Sizzlers are blended with a zesty seasoning that produces a tasty, distinctive flavor, and are packed 12 1-oz. links per package. Benefitting from exceptional product quality and strengthened by a

stepped-up, consumer-oriented advertising campaign, this product now enjoys significantly higher sales, profits and market share.

Range Brand Wranglers Share-of-Market Strength Improves

In 1972, following one of the most successful product introductions ever, and since backed by heavy advertising and promotional investments, Range Brand Wranglers con-

MEAT PRODUCTS GROUP

tinue to attain excellent sales increases in all U.S. markets.

Range Brand Wranglers, five inches long and packaged eight to a pound, are coarsely-ground, richly-seasoned and heavily-smoked to satisfy adult tastes. Now appealing more and more to the taste buds of children, the Company has since been provided with new market opportunities for this increasingly popular product.

Versatility in cooking — Wranglers can be grilled, baked, broiled or panfried — and versatility in usage are strong selling points. Wranglers can be served in a bun, with beans, sauerkraut, or macaroni and cheese; in a casserole; as a breakfast sausage, or cubed for hors d'oeuvres.

Hormel Pork Sausage Benefits from New Formulation, Package

Hormel Pork Sausage, with an improved formulation and a distinctive new black package, has earned an early, but strong and positive reaction among consumers.

The improvements in Hormel Pork Sausage, based on market research studies, were accentuated in late 1976 and culminated with the introduction of a leaner, more heavily-spiced product, attractively-packaged and vacuum-packed for longer shelf life. Consumer response to the reformulated, newly-designed product has helped strengthen the Meat Product Group's position as a full service supplier to the supermarket trade and food service industry.

Layout Pack Bacon Meets Needs of Mass Feeding Outlets

At the Hormel Company, innovation means new processes, new methods of packaging, new flavors and new convenience features — all aimed at providing improved foods in the "old tradition."

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Little Sizzlers, Range Brand Wranglers, Cure/81 Hams, Layout Pack Bacon and Hormel Pork Sausage — these and other Hormel Fine Food Products continue to be a vital and growing part of Company operations



Hormel

Little Sizzlers
SKINLESS PORK SAUSAGE

Hormel

Little

Hormel

Range brand

Wranglers

SMOKED FRANKS

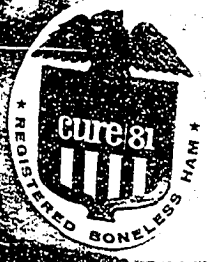
NET WT. 5 OZ (142g)

Hormel Bacon

LAYOUT PACK

Hormel

Pork Sausages



One unique aspect of innovation is Layout Pack Bacon, a 15-pound box of selected Hormel Black Label Bacon that offers food service institutions savings in time, waste, labor and clean-up expenses. With Layout Pack, each strip of bacon is individually laid on a specially-treated parchment sheet. Whole sheets, paper included, are then transferred from box to cooking surface and, in seconds, an entire layer of lean and tasty Hormel Layout Pack Bacon is cooking.

For food service operators, this reduces the cost of serving bacon to customers. No longer is there a need to separate slices with a fork, saving labor time, and there's no damaged bacon, saving the possible waste of torn or shredded slices. Because the paper bakes right along with the bacon, there is no burnt-on grease and the cooking surface wipes up quickly after use, saving clean-up time.

Dry Sausage "Chubs" Continue Growth Pattern Established in 1972

Consumer packaging of gourmet dry sausages continued to expand in distribution and in sales. The five "fresh-out-of-smoke" dry sausages, introduced in 1972, continued to set new levels in demand, market strength and sales. The 11-oz. consumer-sized chubs, designed particularly for self-service retail supermarkets, include Viking Cervelat, Cotto Salami, Tangy Summer Sausage, Old Smokehouse Brand Thuringer and Beefy Summer Sausage.

These authentic "old-style" sausages are seasoned with specially-selected spices which impart an outstanding flavor. Vacuum-packaged to insure maximum freshness, these semi-dry sausages are

excellent items when thinly-sliced and served as party snacks.

Hard Salami Line Offers Diversity, Quality Products

Hormel dry sausage is sold in many forms — in rolls of various sizes to be sliced at the delicatessen, pre-sliced and vacuum-packed for self service. Hormel Hard Salami, the Company's premium grade within this product category, is available in roll form,

is moderately-smoked and air-dried. A preference for this quality product is evidenced by strong interest among consumers, resulting in sales increases that have helped maintain market leadership.

Deli Operations Offer Growth Potential; Dry Sausage is Advertised

The rapidly-expanding service delicatessens in major food stores have opened new market opportunities for the Company's line of fine sausage, ham and cold cuts. Bolognas, salamis, baked loaves, prosciutti and boiled hams, marketed in traditional old-fashioned styles and shapes, can be found in meat display cases of many discriminating delicatessen departments. Over 50 distinctive, quality-branded products in loaf, link or bulk form for slicing are now sold as part of the Company's deli line.

Throughout the year, the Company's dry sausage products received strong support from imaginative, service-oriented advertising and merchandising programs. An especially effective effort in New York is a 15-minute weekly television show called *Incontro Con Luisa* (Conversation with Luisa), which promotes dry sausage products at the same time it demonstrates the many uses of these products in interesting and economical food ideas.

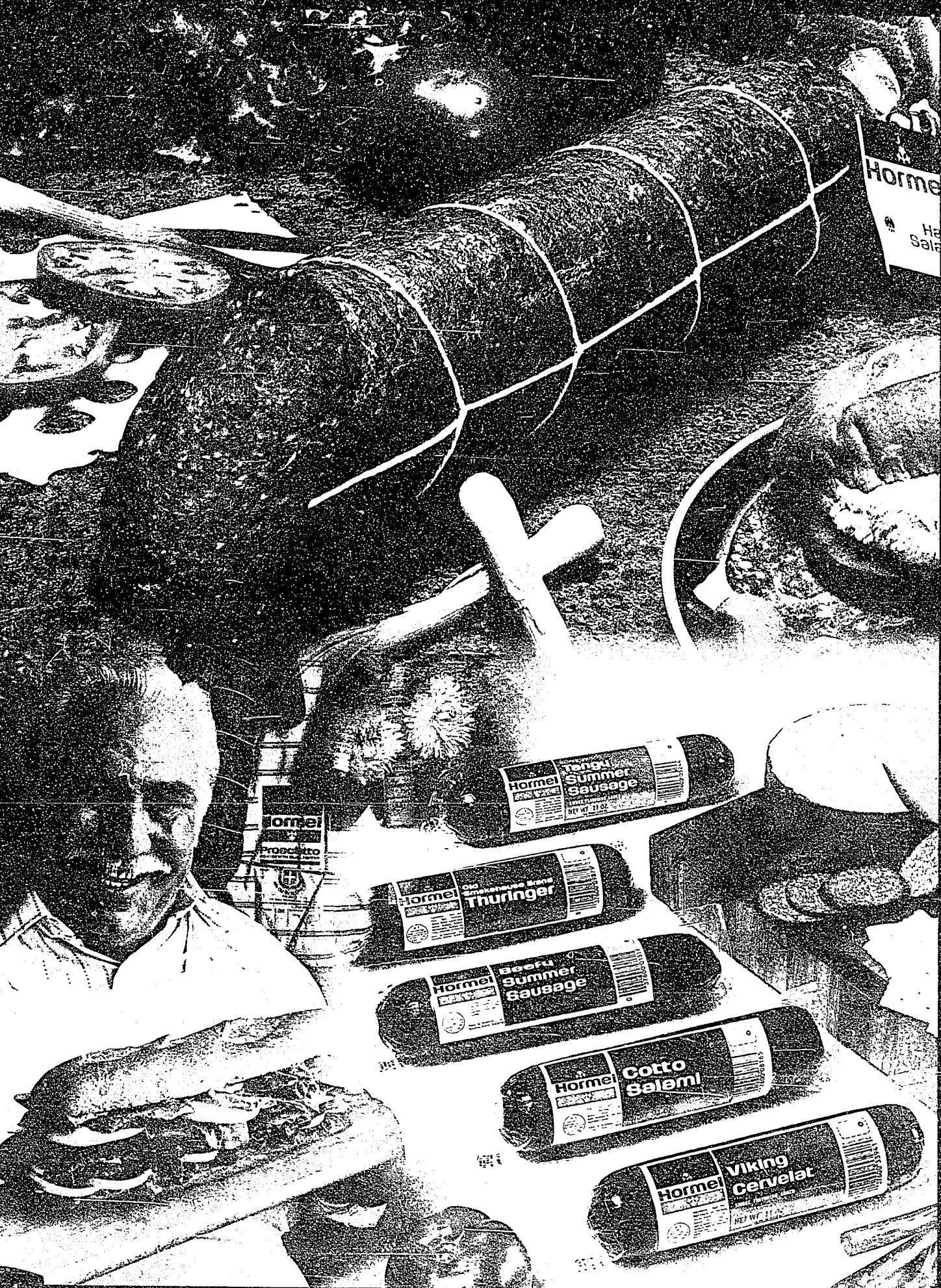
Accompanying this weekly TV program are spot radio announcements aired in major dry sausage markets.



weighing about 4½ pounds, in six-oz. "chunk" form, or in the convenient, pre-sliced four-oz. "wallet" package, all of which cater to a wide variety of uses and local preferences.

The variety of sizes offered in the Hard Salami line is overshadowed only by the general excellence of the product. A medium-coarse chopped sausage, with nearly equal portions of beef and pork and seasoned with salt, pepper, garlic and sugar, Hard Salami

Page 19
The many varieties of Hormel dry sausage can be found in supermarkets and delicatessens everywhere. The popular dry sausage products shown at the right cater to a wide variety of uses and local preferences.



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Of greatest significance to the Prepared Foods Group has been the continued growth in demand for its traditional product lines. Consumer acceptance was stronger than ever — a tribute to the Company's innovative efforts in developing new processes and new methods of packaging while offering greater product quality, variety and convenience. All of these improvements are making the responsibility of preparing varied, interesting meals easier for today's homemakers.

The "Short Orders" Product Line Nears National Distribution

The Company's diversified line of 7½-oz. single portion canned entrees, known as the "Short Orders," will be placed into national distribution in early 1977. This family of products has been marketed for many years to vending and mobile caterers. All but a limited number are new introductions to the retail trade.

Consumers enjoy the greater variety (a selection of 24 different items) and the ease of preparation (convenient, ready-to-heat and eat single serving sizes) that this product line offers. Feeding a family of individualists is made easy with the "Short Orders," all found under the Hormel, Dinty Moore and Mary Kitchen brands.

Network television and magazine advertising, supplemented by in-store merchandising programs, will coincide with the planned national distribution of the Company's "Short Orders" line. Thirty-second commercials will be aired during popular daytime, prime time and late fringe programming on each of the three major networks. Colorful advertisements are scheduled

to appear in People, Apartment Life and Retirement Living magazines — each a national publication directed to meeting the specialized needs of these varied consumer groups.

Tender Chunk: Something Old, Something New

In 1976, not only was the distribution of established products expanded, but new products were also introduced to the American homemaker.

PREPARED FOODS GROUP

Tender Chunk Ham, a new all-ham product concept, was test marketed in the major metropolitan markets of New York, N.Y., Baltimore, Md., Chicago, Ill., and Boston, Mass. Tender Chunk has now been scheduled for expansion to national distribution. Marketed in a 6¾-oz. size can, Tender Chunk is positioned next to the tuna section of supermarkets and other retail stores.

The similarity of this product to tuna doesn't end with the

size and shape of the can or its position in supermarket shelves. Consisting of tender chunks of smoke-flavored ham, Tender Chunk can be broken apart and flaked and can be used in sandwiches, salads, casseroles and hors d'oeuvres.

In announcing Tender Chunk to new market areas, the merchandising theme, "It does everything tuna does except swim," helps convey the product's versatility of uses to consumers. National introduction of Tender Chunk Ham will be supported by four-color, full-page advertisements in major women's magazines, regional magazines and newspapers, plus spot television commercials and a direct mail/coupon campaign.

The Company's Grocery Products Division also introduced two other items into selected U.S. test markets. Hormel Ham Patties, each 2 oz., fully-cooked and smoke-flavored, are packed six to a can. Consumer test studies showed this to be the preferred portion and quantity when used with breakfast eggs, lunch-time sandwiches or for easy, something-different suppers.

Another new item, Cookbook Chili with Beans, is an extension of the popular Hormel Chili product line. It is already achieving steady volume gains through continued expansion of test markets.

Cookbook Chili with Beans, an exclusive blend of tender meat chunks and plump kid-

Page 21
At top, two members of the Hormel "Short Orders" product line: Tender Chunk Ham (lower left) and Cookbook Chili (lower right) are new products recently introduced to the American consumer.



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ney beans and slices of celery, tomato and onions in a thick, tangy sauce, is considered a main dish and a hearty meal for lunch and dinners. It is intended to be the closest thing to homemade chili on the market.

**Deviled SPAM:
New Name,
New Label**

Because consumers view deviled meat as more than just a convenient sandwich spread, what was known as SPAM Spread is now marketed as Deviled SPAM, still in the 3 and 4½-oz. lightweight easy-open cans.

The change is expected to encourage homemakers to use Deviled SPAM in dips and spreads, on hors d'oeuvre platters and with scrambled eggs. Network TV, newspaper and magazine advertisements in Reader's Digest, McCall's, True Story, Woman's Day and Family Circle describe the new product name and label and offer helpful serving suggestions.

**Food Service Division
Introduces Products,
Reports Sales Climb**

Food service establishments — restaurants, industrial and school cafeterias, hospitals, colleges and universities — have traditionally prepared meals in their own kitchens. The same demand that has brought convenience and product variety to household consumers is also favored by food service customers. For Hormel, this provides an expanding market for its vending, chopped and formed, and frozen entree product lines, marketed either in single portion sizes or in institutional-sized can or foil pan form.

A quartet of new chowder items — Hearty Seafood Chowder, Hearty Beef 'n Vegetable Chowder, Hearty

Chicken 'n Corn Chowder and Hearty Ham 'n Potatoes Chowder — will be introduced in 1977 as part of the Company's hot food vending line. These additions, plus Au Gratin Potatoes 'n Bacon, introduced in late 1976, raises to 27 the number of single portion, 7½-oz. products available to vendors and mobile caterers.

The Food Service Division's extensive product development activities were not lim-



James A. Silbaugh
Vice President
Grocery Products Division
Raymond J. Asp
Group Vice President
Prepared Foods Group

ited to the vending area. In 1976, institutional customers responded favorably to new and improved products within the portion-controlled frozen meats line.

Among the items added were Breaded Veal Parmigiana Patty With Cheese, OKC Breaded Beef Steak, Char-Broil Pizza Patty With Cheese, Beef and Mushroom Steak, Pork Steak, Pepper Steak and Breaded Chuckwagon Steak. Available in several weight ranges, in uncooked or precooked,

breaded or unbreaded form, and in packs designed for volume feeding, the Hormel Food Service Division is able to meet the specialized needs of mass feeding outlets, large or small.

Beef Cubes & Wine Sauce, Turkey & Cornbread Dressing and Macaroni & Cheese With Ham are new additions to the Company's frozen prepared entrees.

**Soft Drink Mixes,
Cocoa Mix, Now
In Retail Outlets**

In response to proven customer demands, the Industrial Products Division has begun retail distribution of pre-sweetened soft drink mixes and a hot cocoa mix. Both product lines carry the Fiesta brand name.

The pre-sweetened soft drink mixes, introduced in mid-1976, consists of six flavors — Cherry, Lemonade, Orangeade, Grape, Pink Lemonade and Strawberry — all available in 3-oz. and 12-oz. pouches or in the large 24-oz., or 8-quart, canister size. Fiesta Instant Hot Cocoa Mix is marketed in 1-oz. foil pouches and is also offered in a family-size box, each box containing 12 1-oz. hot cocoa mix packages.

Soft drink and hot cocoa mixes are frequent, year-round purchases for many households. The Fiesta soft drink mixes placed in limited distribution last year will be available in all Hormel market areas in 1977, as will the newly-introduced hot cocoa mix.

Page 23
Hormel frozen prepared entrees and portion controlled frozen meats are shown in the top two rows. Pre-sweetened soft drink mixes and a hot cocoa mix (bottom row) are now in retail distribution under the Fiesta brand name.



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Officers and Directors

I. J. Holton, Austin
President
Director since February, 1961

Raymond J. Asp, Austin
Group Vice President
Prepared Foods Group
Director since August, 1969

Lee D. Housewright, Jr., Austin
Group Vice President
Meat Products Group
Director since August, 1969

Richard L. Knowlton, Austin
Group Vice President
Operations Group
Director since September, 1974

E. C. Alsaker, Austin
Vice President & Treasurer
Director since November, 1969

Bruce Corey, Austin
Vice President
Engineering & Planning
Director since February, 1960

John R. Furman, Austin
Vice President
Dry Sausage Division

Robert M. Gill, Austin
Vice President
Personnel & Industrial Relations
Director since August, 1970

Clayton T. Kingston, Austin
Vice President
Pork Operations

Robert F. Potach, Austin
Vice President & Controller
Director since October, 1970

James A. Silbaugh, Austin
Vice President
Grocery Products Division

Donald S. Sorenson, Austin
Vice President
Beef Operations

Charles D. Nyberg, Austin
Secretary & Director of Public Relations

Don J. Hodapp, Austin
Assistant Controller
Data Processing

Richard W. Schlange, Austin
Assistant Controller
Accounting

Walter B. Stevens, Austin
Assistant Treasurer
Finance

Robert J. Thatcher, Austin
Assistant Treasurer
Taxes

***Sherwood O. Berg**, Brookings, S.D.
President
South Dakota State University
Director June, 1969, -June, 1973

Herrell F. DeGraff, Brooktondale, New York
Agricultural Economist
Former President
American Meat Institute
Director since November, 1973

Donald R. Grangaard, Minneapolis, Minn.
President & Chief Executive Officer
First Bank System, Inc.
Director since July, 1974

Geri M. Joseph, Minneapolis, Minn.
Contributing Editor
Minneapolis Tribune
Director since August, 1974

* Re-elected November 29, 1976

MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE SUMMARY OF OPERATIONS

Sales and gross earnings in the meat packing industry are influenced to a significant degree by the costs and availability of livestock, as well as by customer demand for the various types of meat and meat products. The increase in hog supplies during the final quarter of this year and increased sales tonnage, plus an extra week making 1976 a 53-week year, were all factors that collectively contributed to making 1976 the first year in the Company's history when sales exceeded \$1 billion. Fiscal 1975 sales dollars were higher than 1974 due to the higher pass-through cost of livestock which was caused by an inadequate hog supply.

Interest costs increased in 1976 because the long-term debt was outstanding for the entire year. Fiscal 1975 interest costs were lower than 1974 because of reduced interest rates on a lower level of borrowing.

Income taxes in 1976 increased as a result of increased earnings. Fiscal 1975 income taxes were less than 1974 corresponding to the decrease in pre-tax earnings. The investment credit is applied on the flow-through method and contributed to the reduction of the effective 48% tax rate.

The 1976 increase in earnings was due to aggressive sales promotion and an increased supply of hogs which enabled the Company to utilize its facilities on a more economical basis. The reduced earnings of fiscal 1975 were attributable to the inadequate supply of livestock, which resulted in higher raw material and production costs.

Advertising costs increased to \$12,590,983 in 1976 compared to \$8,556,422 in 1975 as part of the Company's program to increase sales of branded products.

COMMON STOCK DATA

	1976		1975	
Fiscal Quarter	Cash Dividends Declared	Market Price Range	Cash Dividends Declared	Market Price Range
First Quarter	\$.25	\$15 ³ / ₄ -20	\$.23	\$15 ³ / ₈ -17
Second Quarter	.25	16 ³ / ₄ -19 ⁵ / ₈	.23	15 ³ / ₄ -17 ¹ / ₄
Third Quarter	.25	17 ¹ / ₄ -19 ⁷ / ₈	.23	16 ¹ / ₈ -17
Fourth Quarter	.25	18 ³ / ₈ -21 ⁵ / ₈	.23	15 ³ / ₈ -16 ³ / ₈



Hormel

FINANCIAL
SECTION

Common Stock

Listed American Stock Exchange
(Trading Symbol: HRL)

Auditor

Ernst & Ernst
1800 First National Bank Building
120 South Sixth Street
Minneapolis, Minnesota 55402

Transfer Agent

The First National Bank of Chicago
One First National Plaza
Chicago, Illinois 60670

Registrar

Harris Trust and Savings Bank
111 West Monroe Street
Chicago, Illinois 60690

Stockholder Inquiries

Communications concerning transfer requirements and lost certificates should be directed to the Transfer Agent. Communications concerning dividends and change of address should be directed to Geo. A. Hormel & Company, %Corporate Secretary, Box 800, Austin, Minnesota 55912

Notice of Annual Meeting

The Annual Meeting of the Company's stockholders will be held on Tuesday, January 25, 1977, in the Austin High School Auditorium, Austin, Minnesota. The meeting will convene at 8 p.m.

A formal notice of the meeting, together with Proxy Statement and Proxy, will be mailed to stockholders of record. All stockholders are cordially invited to attend.

Form 10-K Annual Report

A copy of the Company's Annual Report to the Securities and Exchange Commission on Form 10-K for the year ended October 30, 1976, will be provided to stockholders upon written request to the Corporate Secretary, Geo. A. Hormel & Company, Box 800, Austin, Minnesota 55912.

Ten Year Review

(In thousands of dollars)

OPERATIONS	1976*	1975
Net Sales	\$1,094,832	\$995,593
Net Earnings	14,717	13,366
Per Cent of Sales	1.34%	1.34%
Wage Costs	179,588	167,049
Total Taxes	14,127	13,102
Depreciation	10,697	9,140
<hr/>		
FINANCIAL POSITION		
Working Capital	\$ 63,957	\$ 64,350
Properties (net)	97,465	85,398
Total Assets	228,585	224,488
Stockholders' Investment	136,792	126,879
<hr/>		
PER SHARE OF COMMON STOCK		
Net Earnings	\$ 3.06	\$ 2.78
Dividends	1.00	.92
Stockholders' Investment	28.48	26.42

*53 Weeks

GEO. A. HORMEL & COMPANY AND SUBSIDIARIES

1974	1973	1972	1971	1970*	1969	1968	1967
343,163	\$825,671	\$719,755	\$686,487	\$695,768	\$626,017	\$585,879	\$548,819
17,369	7,403	7,788	16,664	9,933	9,236	9,134	8,658
1.84%	.90%	1.08%	2.43%	1.43%	1.48%	1.56%	1.58%
151,052	129,419	129,277	127,775	116,921	104,325	98,519	91,409
18,094	8,717	9,431	19,053	12,648	12,260	11,833	9,633
7,667	7,125	6,417	5,435	4,918	3,830	3,578	3,417
48,659	\$ 34,256	\$ 39,275	\$ 43,646	\$ 37,818	\$ 39,339	\$ 40,497	\$ 37,707
74,392	67,481	60,178	51,841	45,683	38,767	32,211	29,164
93,696	179,950	149,468	153,144	129,416	115,788	108,484	104,898
17,932	104,654	101,187	96,175	83,081	76,480	70,220	63,407
\$ 3.62	\$ 1.54	\$ 1.63	\$ 3.50	\$ 2.09	\$ 1.94	\$ 1.92	\$ 1.82
.84	.81	.78	.75	.70	.625	.4875	.5125
24.55	21.77	21.04	20.20	17.45	16.07	14.75	13.32

Statement of Consolidated Financial Position

	October 30, 1976	October 25, 1975
ASSETS		
CURRENT ASSETS		
Cash	\$ 9,576,620	\$ 18,386,542
Short-term marketable securities — at cost which approximates market.	12,243,567	—
Accounts receivable, less allowance of \$207,500	49,225,189	51,898,818
Inventories of products, livestock, packages and supplies — Note B	56,172,526	65,431,633
Prepaid insurance and other expenses	828,129	322,267
TOTAL CURRENT ASSETS	128,046,031	136,039,260
INVESTMENTS AND OTHER ASSETS	3,073,348	3,051,220
PROPERTY, PLANT AND EQUIPMENT		
Land	2,367,578	2,144,086
Buildings	61,146,685	50,840,999
Equipment	101,238,319	81,121,969
Construction in progress — Note G	5,203,678	15,447,914
Allowance for depreciation (deduction)	(72,491,053)	(64,157,337)
	<u>97,465,207</u>	<u>85,397,631</u>
	<u>\$228,584,586</u>	<u>\$224,488,111</u>

GEO. A. HORMEL & COMPANY AND SUBSIDIARIES

LIABILITIES AND STOCKHOLDERS' INVESTMENT	October 30, 1976	October 25, 1975
CURRENT LIABILITIES		
Notes payable	\$ 951,048	\$ 5,911,916
Accounts payable and accrued expenses	57,898,747	62,224,967
Dividend payable November 15	1,200,815	1,104,749
Federal income taxes	3,866,797	2,447,649
Current maturities of long-term debt	172,000	—
TOTAL CURRENT LIABILITIES	64,089,407	71,689,281
LONG-TERM DEBT — less current maturities — Note C	27,703,000	25,920,000
STOCKHOLDERS' INVESTMENT		
Preferred Stock, par value \$100 a share; authorized — 50,000 shares; issued — none		
Common Stock, par value \$1.875 a share; authorized — 6,000,000 shares; issued — 1976 — 4,803,258 shares; 1975 — 4,808,258 shares, including shares in treasury	9,006,109	9,015,484
Additional paid-in capital	2,761,377	2,852,002
Earnings reinvested in business	125,024,693	115,111,344
Treasury stock — 5,000 shares, at cost	—	(100,000)
	<u>136,792,179</u>	<u>126,878,830</u>
	<u><u>\$228,584,586</u></u>	<u><u>\$224,488,111</u></u>

See notes to consolidated financial statements.

Statement of Changes in Consolidated Stockholders' Investment

GEO. A. HORMEL & COMPANY AND SUBSIDIARIES

	Common Stock	Additional Paid-In Capital	Earnings Reinvested in Business	Treasury Stock
Balance at October 26, 1974 . . .	\$9,015,484	\$2,852,002	\$106,164,352	(\$100,000)
Net earnings for the year			13,365,989	
Cash dividends declared — \$.92 a share			(4,418,997)	
Balance at October 25, 1975 . . .	9,015,484	2,852,002	115,111,344	(100,000)
Net earnings for the year			14,716,607	
Cash dividends declared — \$1.00 a share			(4,803,258)	
Retirement of treasury stock . . . (9,375)	(9,375)	(90,625)		100,000
Balance at October 30, 1976 . . .	<u>\$9,006,109</u>	<u>\$2,761,377</u>	<u>\$125,024,693</u>	<u>\$ —</u>

See notes to consolidated financial statements

Statement of Consolidated Earnings

GEO. A. HORMEL & COMPANY AND SUBSIDIARIES

	Fiscal Year Ended	
	October 30, 1976	October 25, 1975
Sales, less returns and allowances	\$1,094,831,609	\$995,592,507
Interest and other income	242,510	698,108
	<u>1,095,074,119</u>	<u>996,290,615</u>
Costs and expenses:		
Cost of products sold	964,190,825	880,588,550
Selling and delivery expenses	86,842,696	75,676,215
Administrative and general expenses	13,730,807	13,019,326
Interest	4,174,184	3,074,535
	<u>1,068,938,512</u>	<u>972,358,626</u>
EARNINGS BEFORE INCOME TAXES	26,135,607	23,931,989
Provision for income taxes — Note E	<u>11,419,000</u>	<u>10,566,000</u>
NET EARNINGS (Per share 1976 — \$3.06; 1975 — \$2.78)	<u>\$ 14,716,607</u>	<u>\$ 13,365,989</u>

See notes to consolidated financial statements

Statement of Changes in Consolidated Financial Position

GEO. A. HORMEL & COMPANY AND SUBSIDIARIES

	Fiscal Year Ended	
	October 30, 1976	October 25, 1975
Working capital at beginning of year	\$ 64,349,979	\$ 48,658,602
Additions:		
From operations:		
Net earnings for the year	14,716,607	13,365,989
Provision for depreciation	10,697,147	9,140,327
	25,413,754	22,506,316
Proceeds from long-term debt	2,000,000	25,000,000
Carrying value of disposals of property, plant and equipment	65,894	483,436
	27,479,648	47,989,752
Deductions:		
Payments and maturities of long-term debt ...	217,000	7,140,000
Additions to property, plant and equipment ...	22,830,617	20,629,662
Cash dividends on Common Stock	4,803,258	4,418,997
Increase in investments and other assets	22,128	109,716
	27,873,003	32,298,375
Increase (decrease) in working capital	(393,355)	15,691,377
Working capital at end of year	\$ 63,956,624	\$ 64,349,979
Changes in components of working capital:		
Increase (decrease) in current assets:		
Cash	(\$ 8,809,922)	\$ 3,324,183
Short-term marketable securities	12,243,567	—
Accounts receivable	(2,673,629)	7,581,978
Inventories	(9,259,107)	9,515,806
Prepaid expenses	505,862	(745,497)
	(7,993,229)	19,676,470
Increase (decrease) in current liabilities:		
Notes payable	(4,960,868)	4,645,916
Accounts payable and accrued expenses ..	(4,326,220)	5,417,637
Dividend payable	96,066	96,065
Federal income taxes	1,419,148	(6,174,525)
Current maturities of long-term debt	172,000	—
	(7,599,874)	3,985,093
Increase (decrease) in working capital	(\$ 393,355)	\$ 15,691,377

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

GEO. A. HORMEL & COMPANY AND SUBSIDIARIES

October 30, 1976 and October 25, 1975

Note A—ACCOUNTING POLICIES

Principles of Consolidation—The consolidated financial statements include the accounts of the Company and all of its majority-owned subsidiaries. All significant intercompany accounts, transactions, and profits have been eliminated in consolidation. Investments in foreign companies (the Company's investment does not exceed 50% in any foreign operating company) are included in the financial statements at the Company's equity therein. Exchange adjustments (immaterial in amount in each year) are included in income as they occur. The excess of the cost of acquisitions over the Company's equity in net assets acquired is not material in amount and is being amortized over periods of ten to forty years.

Inventories—Inventories are valued at the lower of cost or replacement market. Live-stock and the materials portion of products are determined by the first-in, first-out method. Inventoriable expenses, packages and supplies are determined by the last-in, first-out method.

Property, Plant and Equipment—Property, plant and equipment is carried at cost less accumulated depreciation. Depreciation is provided principally by accelerated methods approximating the double-declining balance method. Maintenance and repairs are charged to operations when incurred. Renewals and betterments of a nature considered to materially extend the useful life of the assets are capitalized.

Pension Plans—The Company has several pension plans covering substantially all of its employees. The Company's policy is to fund pension costs accrued which includes amortization of prior service costs over a period of thirty years from the date of inception or date of amendment of the plans.

Income Taxes—Provision is made for income taxes payable. No provision is made for deferred income taxes as there are no material timing differences between financial and taxable income. The investment tax credit has been used to reduce the income tax provision (flow-through method).

Earnings Per Share—Earnings per share of Common Stock are based on the weighted average number of shares outstanding during the year.

Fiscal Year—The Company's fiscal year ends on the last Saturday in October. The fiscal year ended October 30, 1976 consisted of 53 weeks; fiscal 1975 consisted of 52 weeks.

Notes to Consolidated Financial Statements (CONTINUED)

GEO. A. HORMEL & COMPANY AND SUBSIDIARIES

Note B—INVENTORIES

Inventoriable expenses, packages and supplies, determined by the last-in, first-out method amounted to approximately \$14,000,000 and \$13,000,000 at October 30, 1976 and October 25, 1975, respectively. If the first-in, first-out method of accounting had been used, these inventories would have been \$2,500,000 and \$1,400,000 higher than reported at the fiscal years ended in 1976 and 1975.

Note C—LONG-TERM DEBT

Long-term debt consists of:

	October 30, 1976	October 25, 1975
9% Notes	\$25,000,000	\$25,000,000
Capitalized leases	2,875,000	920,000
	<u>27,875,000</u>	<u>25,920,000</u>
Less current maturities	172,000	—
	<u>\$27,703,000</u>	<u>\$25,920,000</u>

The 9% notes are due in 1985 and contain certain provisions and restrictions relating to limitations on liens, sale and lease-back arrangements, and funded debt.

Note D—PENSION PLANS

Contributions to the Company's pension plans for 1976 and 1975 were \$10,254,000 and \$10,512,000, respectively. The actuarially computed value of vested benefits for all plans exceeded the pension fund assets at October 30, 1976 by approximately \$32,000,000.

Notes to Consolidated Financial Statements (CONTINUED)

GEO. A. HORMEL & COMPANY AND SUBSIDIARIES

Note E—INCOME TAXES

The reasons for the difference between the provision for federal income taxes used for financial reporting purposes and the amount determined by applying the statutory federal income tax rate were as follows:

	Fiscal Year Ended	
	October 30, 1976	October 25, 1975
48% of pre-tax earnings	\$12,545,000	\$11,487,000
Plus state and local income taxes, net of federal tax benefit.....	493,000	449,000
Other items (deduction).....	623,000	(325,000)
	<u>13,661,000</u>	<u>11,611,000</u>
Less investment credit.....	2,242,000	1,045,000
Provision for federal income taxes.....	<u>\$11,419,000</u>	<u>\$10,566,000</u>
Effective rate.....	<u>43.7%</u>	<u>44.2%</u>

Note F—LEASES

Rental expense and future lease commitments are not material.

Note G—CONSTRUCTION IN PROGRESS

Construction in progress at October 30, 1976 will cost approximately \$3,000,000 to complete a dry sausage plant in Knoxville, Tenn., and various additions and modifications to other plants.

Report of Ernst & Ernst, Independent Auditors

To the Stockholders and
Board of Directors
Geo. A. Hormel & Company
Austin, Minnesota

We have examined the statement of consolidated financial position of Geo. A. Hormel & Company and subsidiaries as of October 30, 1976, and October 25, 1975, and the related statements of consolidated earnings, changes in stockholders' investment and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the consolidated financial position of Geo. A. Hormel & Company and subsidiaries at October 30, 1976, and October 25, 1975, and the consolidated results of their operations and changes in their financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Minneapolis, Minnesota
November 23, 1976

Ernst & Ernst





In November, 1891, George A. Hormel founded the company that bears his name. The original products consisted of hams, bacon, sausage and fresh meat items. These products continue to be a vital and growing part of Company operations.

Cure/81 Stressed as Symbol of Dependability; Production, Sales "Up"

"...Dependability worth paying for!" is the basic theme of the current Cure/81 Ham advertising and promotional campaign. This marketing approach, designed to further consumer knowledge of the quality and value built into Cure/81's, has been instrumental in maintaining a high level of sales.

Nationwide promotion of Cure/81's was intensive during 1976. In addition to extensive advertising in print and broadcast media, special tie-in and related product promotions were initiated. These factors, accompanied by aggressive selling, merchandising and distribution activities, enabled Cure/81 to increase its market share in nearly all sales territories.

Little Sizzlers Enjoys New Sales, Distribution Levels

Marketing and distribution strength have been primary factors in the rapid sales growth of Little Sizzlers during fiscal 1976. Considerable time and attention was directed to maximizing sales of this popular breakfast sausage through year-round promotional programs.

Little Sizzlers are blended with a zesty seasoning that produces a tasty, distinctive flavor, and are packed 12 1-oz. links per package. Benefitting from exceptional product quality and strengthened by a

stepped-up, consumer-oriented advertising campaign, this product now enjoys significantly higher sales, profits and market share.

Range Brand Wranglers Share-of-Market Strength Improves

In 1972, following one of the most successful product introductions ever, and since backed by heavy advertising and promotional investments, Range Brand Wranglers con-

Versatility in cooking — Wranglers can be grilled, baked, broiled or panfried — and versatility in usage are strong selling points. Wranglers can be served in a bun; with beans, sauerkraut, or macaroni and cheese; in a casserole; as a breakfast sausage, or cubed for hors d'oeuvres.

Hormel Pork Sausage Benefits from New Formulation, Package

Hormel Pork Sausage, with an improved formulation and a distinctive new black package, has earned an early, but strong and positive reaction among consumers.

The improvements in Hormel Pork Sausage, based on market research studies, were accentuated in late 1976 and culminated with the introduction of a leaner, more heavily-spiced product, attractively-packaged and vacuum-packed for longer shelf life. Consumer response to the reformulated, newly-designed product has helped strengthen the Meat Product Group's position as a full service supplier to the supermarket trade and food service industry.

Layout Pack Bacon Meets Needs of Mass Feeding Outlets

At the Hormel Company, innovation means new processes, new methods of packaging, new flavors and new convenience features — all aimed at providing improved foods in the "old tradition."

MEAT PRODUCTS GROUP

...significant gains in sales and profits...
...the Meat Product Group...
...the Hormel Company...
...the Meat Product Group...
...the Hormel Company...
...the Meat Product Group...
...the Hormel Company...

tinued to attain excellent sales increases in all U.S. markets.

Range Brand Wranglers, five inches long and packaged eight to a pound, are coarsely-ground, richly-seasoned and heavily-smoked to satisfy adult tastes. Now appealing more and more to the taste buds of children, the Company has since been provided with new market opportunities for this increasingly popular product.

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Little Sizzlers, Range Brand Wranglers, Cure/81 Hams, Layout Pack Bacon and Hormel Pork Sausage — these and other Hormel Fine Food Products continue to be a vital and growing part of Company operations.

1976



One unique aspect of innovation is Layout Pack Bacon, a 15-pound box of selected Hormel Black Label Bacon that offers food service institutions savings in time, waste, labor and clean-up expenses. With Layout Pack, each strip of bacon is individually laid on a specially-treated parchment sheet. Whole sheets, paper included, are then transferred from box to cooking surface and, in seconds, an entire layer of lean and tasty Hormel Layout Pack Bacon is cooking.

For food service operators, this reduces the cost of serving bacon to customers. No longer is there a need to separate slices with a fork, saving labor time, and there's no damaged bacon, saving the possible waste of torn or shredded slices. Because the paper bakes right along with the bacon, there is no burnt-on grease and the cooking surface wipes up quickly after use, saving clean-up time.

Dry Sausage "Chubs" Continue Growth Pattern Established in 1972

Consumer packaging of gourmet dry sausages continued to expand in distribution and in sales. The five "fresh-out-of-smoke" dry sausages, introduced in 1972, continued to set new levels in demand, market strength and sales. The 11-oz. consumer-sized chubs, designed particularly for self-service retail supermarkets, include Viking Cervelat, Cotto Salami, Tangy Summer Sausage, Old Smokehouse Brand Thuringer and Beefy Summer Sausage.

These authentic "old-style" sausages are seasoned with specially-selected spices which impart an outstanding flavor. Vacuum-packaged to insure maximum freshness, these semi-dry sausages are

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